



October 14, 2005

California Energy Commission Dockets Unit
Attn: Docket No. 04 IEP 1K
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

RE: WPTF Comments on 04 IEP 1K Committee Draft Document Hearings

The Western Power Trading Forum(WPTF) is a trade association of over 40 entities that trade energy across the Western states. We are pleased to submit the following comments on the Commission's above referenced report, specifically on the proposed Greenhouse gas policies articulated in Chapter 9, and the relation of such to long-term electricity procurement discussed in Chapter 3. However, in so doing, it might be instructive to set the stage by reciting the WPTF 2005 policies regarding carbon emissions and greenhouse gasses:

1. Should be handled through legislative mandates rather than CPUC orders.
2. Market-based solutions should be used to minimize the cost of achieving any GHG goals.
3. Since GHG regulation deals with a global problem, California specific regulation will be far less effective than international, national or regional regulation.
4. GHG regulation is more effective if applied across all industries and sources of emissions.

We believe the Commission's 2005 IEPR Draft and our policy are fairly well aligned.

Coal-fired power is necessary for the West, and for California's consumers. Without significant imports of coal-by-wire, electricity costs would jump up, the variability of electricity prices would increase, and grid reliability would be weakened. All three outcomes are strong negatives, and cannot be ignored. The challenge is finding a way to tap coal resources while reducing the total emissions of greenhouse gases and criteria pollutants. WPTF's answer to this problem is to allow the use of emission offsets, which will enable a market-based approach to achieving the standard at minimum cost.

Offsets can come from many different sources. Offsets can come from terrestrial sources. Offsets can originate in non-power sectors such as transportation. And most important, offsets can be traded at a market value. We support market-based solutions to reaching GHG goals. If the IEPR could put some flesh on the bone as to exactly how the wide range of offsets could be verified, and certified, then that would go a long way to developing a robust system that achieves the two goals of lowest cost, and a cleaner environment.

Another approach that we would support is evaluating emissions based on a portfolio of coal and renewable resources that on average achieve an emission level equal or less than the proposed standard of a combined cycle natural gas turbine. The renewable power in the mix would have value in that coal on a stand-alone basis would otherwise be unable to comply with the California standard, even with the best available technology. Therefore, it is easy to imagine that aggregators of coal-and-renewable imports to California would have a definite value that would provide the renewable asset owners a significant revenue stream.

Therefore, we support market mechanisms to achieve GHG targets, we support a system that could certify offsets, and we support creative bundling of thermal and renewable resources for California power imports.

One additional comment that is tangential to the issue of emissions. The WPTF Board spent considerable time discussing the comments that I am sharing with you herein. The debate was vigorous. However, you might like to know that there was unanimous opinion expressed by the members that the 2005 IEPR is probably the best document they have seen on a wide range of energy topics and policy options. It is factual, and it is to the point. One criticism that might be leveled is the need for some form of tradable capacity instrument and market to support resource-adequacy requirements. It isn't mentioned in the Draft. If the Commission says nothing, there will be a message sent, and it will be interpreted as a negative view on a stand-alone capacity product. Please do not remain silent on this important topic.

Notwithstanding that, California is well served by this Commission's endeavor, and the agency and the staff should be congratulated on its effort.

Thank you,

Gary B. Ackerman
Executive Director